



Michael Rossi, Chair ■ Tim Rainey, Executive Director ■ Edmund G. Brown, Jr., Governor

DATE: December 10, 2015
TO: David Lanier, Secretary
 Labor and Workforce Development Agency
FROM: Tim Rainey, Executive Director
SUBJECT: 2015 SLAA Report

In accordance with the State Leadership Accountability Act, Government Code sections 13400 through 13407, I am submitting the enclosed report describing the review of our systems of internal control and ongoing monitoring of internal controls for the biennial period ended December 31, 2015.

Enclosure

California Workforce Development Board

2015 SLAA REPORT

December 29, 2015

David Lanier, Secretary
California Labor and Workforce Development Agency
800 Capitol Mall, Suite 5000
Sacramento, CA 95814

Dear Mr. Lanier,

In accordance with the State Leadership Accountability Act (SLAA), the California Workforce Development Board submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Doug Sale, Chief of Operations, at (916) 657-1445, douglas.sale@cwdb.ca.gov.

BACKGROUND

The California Workforce Development Board (State Board) is the Governor's agent for the development, oversight, and continuous improvement of California's workforce investment system and the alignment of the education and workforce investment systems. The State Board and its staff of 15 employees provide active ongoing policy analysis, technical assistance, and program evaluation to inform and shape state policy on the design of state workforce policies and their coordination with other relevant programs, including education and human service programs.

The State Board reports to the Governor through its Executive Director and the Secretary of Labor and Workforce Development, who both provide oversight of the State Board and its staff to ensure that policy recommendations are consistent with the Governor's vision.

The State Board's primary responsibility is to set policy for Workforce Innovation and Opportunity Act (Act) Title I programs and to work with Act core programs and other state plan partners to align programs and services to build a comprehensive system. The State Board drafts the State Plan and serves as the broker, convener, facilitator, and matchmaker to bring the disparate elements of the state's \$4 billion workforce, education, human services, and economic development programs into alignment through coordinated partnership.

The State Board is also responsible for administering workforce training grant programs for disadvantaged youth/young adults, veterans and offenders on supervised early release from prison.

RISK ASSESSMENT PROCESS

The State Board has 15 employees all located in a single Sacramento office. The Executive Team consists of the Executive Director, Chief Deputy and Deputy Directors. The Executive Team meets weekly to discuss issues that affect the State Board's ability to meet its statutory duties. Due to the small size of the organization, the Executive Team is able to use in-person, face-to-face communication to assess and identify risks.

In assessing risks, the Executive Team considers activities that are statutorily required by the federal and state laws as having the highest risk.

The California State Auditor has issued two reports in 2011 and 2015 which identified risks to the State Board's exercising of its statutory authority. In report #2011-111, the State Auditor recommended the State Board collaborate with state and local workforce investment partners to promptly develop and implement the state plan and review the local boards' plans to ensure the coordination and non-

duplication of services to program participants. In 2013 the State Board issued a collaborated State Plan and reviewed all local plans in 2014. This process is being repeated under the Act in 2015-2016.

In report #2015-508, the State Auditor recommended the State Board formalize its collaborative grant seeking procedures with the Employment Development Department to assess the merits of pursuing federal funding for workforce investment programs in California. The State Board is in the process of fully implementing this recommendation by March 2016.

EVALUATION OF RISKS AND CONTROLS

Compliance- External- Unclear Responsibilities of Laws or Regulations

The Act requires the State Plan to be submitted to the U.S. Department of Labor (Labor) and Department of Education (Education) on March 30th, 2016. The Act also requires Labor and Education to promulgate federal regulations to implement the provisions of the Act by January 22, 2016. As of December 30, 2015 Labor and Education have not issued final regulations and have given no timetable as to when final regulations will be issued.

Due to the inclusion in the Act of Core Partner Agencies in the development of the State Plan as well as the public comment requirements, the State Board is unable to wait for final federal regulations to be issued and must proceed with developing the State Plan based on its own interpretation of the Act and proposed federal regulations from Labor and Education. The State Plan may have to be significantly revised or reformatted to comply with the final regulations when they are released which could result in a delay in the State Board's development and issuance of local planning and regional planning guidance.

The State Board is in regular contact with Labor Region 6 in San Francisco on the status of the final regulations coming out of Washington D.C. and is working with its WIOA Core Partners (Employment Development Department, Community College Chancellor, Department of Education, Department of Rehabilitation) to have staff at the ready to revise the State Plan and Appendices submitted by each core partner agency as soon as final regulations are issued. The State Board is also in regular contact with the local boards and regional consortiums of local boards and is providing updates at monthly State Board/Employment Development Department/local board director calls and bi-monthly California Workforce Association meetings.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

The State Board is responsible for recommending strategies to the Governor for the strategic training investment of the Governor's 15 percent discretionary funds under the Act as well as a state-funded clean energy workforce training grant program for disadvantaged youth/young adults and veterans, and a pre-apprenticeship skills training program for offenders on supervised early release from prison. In spring 2015 the State Board hired a deputy Director, Staff Services Manager I and four analysts to perform the administrative oversight functions. The lack of staff knowledge and experience creates a risk of these funds not being fully expended timely.

Staff has received contract administrator training and are actively engaged with the Employment Development Department in all aspects of grant administration. Branch staff will continue to work with the Employment Development Department and grantees to develop improved grant solicitations, award grants timely, and effectively monitor and report on grantee performance and expenditure levels.

State Board Administration Branch staff has met with the Department of Finance and the Employment Development Department to increase its knowledge of the life of federal and state funds, the procedures governing reimbursable budget authority, and the proper coding of contracts to insure that the grant funds are fully expended. Branch staff also meets monthly

with the Employment Development Department to review the status of existing contracts and to identify and address any funding issues in advance.

Reporting- External- New System Implementation (Other Than FI\$Cal)

The State Board is responsible for developing and updating comprehensive state performance accountability measures to assess the effectiveness of the Act's core programs in the state. The July 2016 implementation of the Act's Cross-System Performance Measures is at risk of being delayed by the lack of agreement among the Act's Core Partner agencies as a result of the delay of Labor and Education in issuing final federal regulations.

The State Board is in regular contact with Labor Region 6 for updates on the status of the issuance of the final regulations related to performance. The State Board is also in regular contact with the Employment Development Department's Workforce Services Branch and the Act's Core Partners and is providing them with updates. By maintaining regular contact with Labor and its Core Partner Agencies under the Act, the State Board will be able to proactively respond to the final regulations or any interim guidance that is issued by Labor and Education resulting in as minimal a delay as possible.

Operations- Internal- Organizational Structure

As a result of its new and expanded statutory responsibilities under the Act and in state law, the State Board has reorganized its organizational structure and is hiring additional staff at all levels. These changes are resulting in confusion among line staff both in terms of their direct report and their roles and responsibilities.

The State Board Executive Team is working to more clearly define the leadership and direct reporting structure of each branch in the organization and how the Executive Director and Chief Deputy interact with staff from each branch. The Deputy Director of each branch is meeting individually with staff and revising duty statements as needed to reflect the roles/responsibilities under the new structure.

ONGOING MONITORING

Through our ongoing monitoring processes, the California Workforce Development Board reviews, evaluates, and improves our systems of internal controls and monitoring processes. The California Workforce Development Board is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of California Workforce Development Board, Tim Rainey, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Tim Rainey, Executive Director, as our designated agency monitor(s).

Frequency of Monitoring Activities

The State Board Executive Team holds weekly meetings. As part of the standing agenda, the team discusses the current and potential internal control issues that need to be addressed. These meetings allow the Executive Team to discuss issues they have been made aware of and what steps are needed to mitigate the issues. The Executive Team is encouraged to share their experiences with the Chief of the Administration Branch, who the Executive Director has designated to assist in maintaining the State Board's internal control system.

Reporting and Documenting Monitoring Activities

The Executive Director has designated the Chief of the Administration Branch with the responsibility for documenting and reporting internal control monitoring activities. Given the small size of the State Board staff and Executive Team, the branch deputy directors report on their activities at the weekly Executive Staff meetings. These reports inform the Executive Team of the monitoring practices being conducted, improvements needed and the overall monitoring success or weakness within each branch. As a member of the Executive Team, the Executive Director is present to receive these in-person reports. On a no less than quarterly basis, the Chief of the Administration Branch summarizes and reports to the Executive Director and Chief Deputy on the overall status and progress of the State Board's internal control system.

Procedure for Addressing Identified Internal Control Deficiencies

The Executive Team holds weekly meetings to review any deficiencies noted in the weekly reports by each deputy director as well as new risks and deficiencies that have been recently identified. The Administration Branch develops, tests, and implements internal control procedures and reports to the Executive Team at weekly meetings. Policy and procedure changes as part of the mitigation process will be broadcast to staff via internal memoranda.

CONCLUSION

The California Workforce Development Board strives to reduce the risks inherent in our work through ongoing monitoring. The California Workforce Development Board accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Tim Rainey, Executive Director
California Workforce Development Board

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations